

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



20TH DISTRICT AGRICULTURAL ASSOCIATION
GOLD COUNTRY FAIR
AUBURN, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-018
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

20TH DISTRICT AGRICULTURAL ASSOCIATION
GOLD COUNTRY FAIR
AUBURN, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Anthony DelMastro

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#09-018

20TH DISTRICT AGRICULTURAL ASSOCIATION
GOLD COUNTRY FAIR
AUBURN, CALIFORNIA

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1
Financial Statements.....	3
Notes to the Financial Statements	6
Report Distribution	12



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Ms. Roberta Tuttle, President
Board of Directors
20th DAA, Gold Country Fair
1273 High Street
Auburn, California 95603

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 20th District Agricultural Association (DAA), Gold Country Fair, Auburn, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 20th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

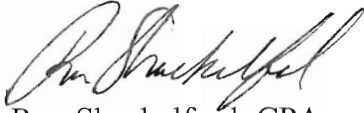
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 20th DAA, Gold Country Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 20th DAA, Gold Country Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-018, on the 20th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 20th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in black ink, appearing to read "Ron Shackelford", written in a cursive style.

Ron Shackelford, CPA
Chief, Audit Office

June 26, 2009

**20TH DISTRICT AGRICULTURAL ASSOCIATION
GOLD COUNTRY FAIR
AUBURN, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007**

	Account Number	2008	2007
Cash and Cash Equivalents	111 - 118	\$ 229,389	\$ 294,160
Accounts Receivable, Net	131	56,716	43,642
Deferred Charges	143	7,538	5,579
Construction in Progress	190	-	104,982
Land	191	54,370	54,370
Buildings and Improvements, Net	192	1,011,379	913,594
Equipment, Net	193	88,392	114,824
TOTAL ASSETS		<u>1,447,784</u>	<u>1,531,151</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable	212	19,067	32,058
Accrued Payables	221 - 226	1,448	880
Deferred Income	228	96,030	98,999
Guaranteed Deposits	241	-	300
Compensated Absences Liability	245	28,926	9,430
Total Liabilities		<u>145,471</u>	<u>141,667</u>
Net Resources			
Reserve for Junior Livestock Auction	251	12,089	9,052
Net Resources - Operations	291	136,082	192,662
Net Resources - Capital Assets, Net of Debt	291.1	1,154,142	1,187,770
Total Net Resources Available		<u>1,302,313</u>	<u>1,389,484</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 1,447,784</u>	<u>\$ 1,531,151</u>

**20TH DISTRICT AGRICULTURAL ASSOCIATION
GOLD COUNTRY FAIR
AUBURN, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
December 31, 2008 and 2007**

	Account Number	2008	2007
REVENUE			
State Apportionments	312	\$ 150,000	\$ 150,000
F&E Project Funds, Contributions	319, 330	113,779	339,234
Admissions	410	144,630	157,016
Commercial Space	415	31,650	32,400
Carnival	421	83,306	81,315
Concessions	422	65,514	65,658
Exhibits	430	8,812	9,640
Horse Shows	440	2,862	5,487
Attractions - Fairtime	460	21,881	21,818
Miscellaneous Fair	470	63,268	66,594
Junior Livestock Auction	476	51,154	15,228
Non-Fair Revenue	480	350,332	372,398
Prior Year Adjustment	490	(190)	6,446
Other Revenue	495	8,318	81,544
Total Revenue		<u>1,095,316</u>	<u>1,404,778</u>
EXPENSES			
Administration	500	261,496	242,024
Maintenance and Operations	520	417,391	364,241
Publicity	540	53,588	47,407
Attendance	560	28,105	26,362
Miscellaneous Fair	570	34,056	46,548
Junior Livestock Auction	576	48,117	16,281
Premiums	580	16,405	17,755
Exhibits	630	98,426	98,799
Horse Shows	640	3,358	4,113
Attractions - Fairtime	660	114,288	116,397
Prior Year Adjustments	800	(22,464)	(956)
Cash Over/Short from Ticket Sales	850	217	301
Depreciation Expense	900	100,535	98,373
Reimbursable Expenses	930	28,970	50,045
Total Expenses		<u>1,182,488</u>	<u>1,127,691</u>
RESOURCES			
Net Change - Income / (Loss)		(87,172)	277,087
Resources Available, January 1		1,389,484	1,112,396
Resources Available, December 31		<u>\$ 1,302,313</u>	<u>\$ 1,389,484</u>

**20TH DISTRICT AGRICULTURAL ASSOCIATION
GOLD COUNTRY FAIR
AUBURN, CALIFORNIA**

STATEMENTS OF CASH FLOWS - REGULATORY BASIS

December 31, 2008 and 2007

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	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (87,172)	\$ 277,087
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(13,074)	8,484
(Increase) Decrease in Deferred Charges	(1,959)	(5,102)
Increase (Decrease) in Deferred Income	(2,969)	83,494
Increase (Decrease) in Accounts Payable	(12,991)	27,962
Increase (Decrease) in Other Liabilities	568	(70)
Increase (Decrease) in Compensated Absence Liability	19,496	(2,792)
Increase (Decrease) in Guarantee Deposits	(300)	(4,565)
Total Adjustments	<u>(11,229)</u>	<u>107,411</u>
Net Cash Provided (Used) by Operating Activities	<u>(98,401)</u>	<u>384,498</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction in Progress	104,983	(104,982)
(Increase) Decrease in Buildings & Improvements	(97,785)	(42,708)
(Increase) Decrease in Equipment	<u>26,432</u>	<u>(111,500)</u>
Net Cash Provided (Used) by Investing Activities	<u>33,630</u>	<u>(259,190)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(64,771)	125,308
Cash at Beginning of Year	294,160	168,852
CASH AT END OF YEAR	<u><u>\$ 229,389</u></u>	<u><u>\$ 294,160</u></u>

**20th DISTRICT AGRICULTURAL ASSOCIATION
GOLD COUNTRY FAIR
AUBURN, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 20th District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Gold Country Fair each year in Auburn, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAAs to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned

rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the DAA. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no

depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2

NEW ACCOUNTING STANDARDS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, ("GASB Statement No. 49"). GASB Statement No. 49 requires governmental entities

to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

NOTE 3

CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	2008	2007
Petty Cash	\$ 200	\$ 200
Cash in Bank – Operating	8,964	4,448
Cash in Bank – Premium	-	-
Cash in Bank – Payroll	1,000	1,000
Cash in Bank – JLA	504	502
Cash in Bank – Time Deposits	218,721	288,010
	<hr/>	<hr/>
Total Cash and Cash Equivalents	\$ 229,389	\$ 294,160
	<hr/>	<hr/>

NOTE 4 **ACCOUNTS RECEIVABLE**

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	2008	2007
Accounts Receivable	\$ 41,856	\$ 30,094
Accounts Receivable - JLA	28,924	22,889
Accounts Receivable -UI	381	-
Accounts Receivable -Interest	733	-
Allowance for Doubtful Accounts	(15,178)	(9,341)
	<hr/>	<hr/>
Accounts Receivable - Net	\$ 56,716	\$ 43,642
	<hr/>	<hr/>

NOTE 5 **PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	2008	2007
Building & Improvements	\$ 3,025,336	\$ 2,865,619
Less: Accumulated Depreciation	(2,013,957)	(1,952,025)
Building & Improvements - Net	\$ 1,011,379	\$ 913,594
	<hr/>	<hr/>
Equipment	\$ 242,807	\$ 214,231
Less: Accumulated Depreciation	(154,415)	(99,407)
Equipment - Net	\$ 88,392	\$ 114,824
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NOTE 6 **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are

actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7

RECLASSIFICATION

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**20th DISTRICT AGRICULTURAL ASSOCIATION
GOLD COUNTRY FAIR
AUBURN, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 20th DAA Board of Directors
1	Chief Executive Officer, 20th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



20TH DISTRICT AGRICULTURAL ASSOCIATION
GOLD COUNTRY FAIR
AUBURN, CALIFORNIA

MANAGEMENT REPORT #09-018

YEAR ENDED DECEMBER 31, 2008

20TH DISTRICT AGRICULTURAL ASSOCIATION
GOLD COUNTRY FAIR
AUBURN, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2008

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Anthony DelMastro

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#09-018

TABLE OF CONTENTS

	<u>PAGE</u>
MANAGEMENT LETTER.....	1
REPORTABLE CONDITIONS	3
Accounting for Fixed Assets	3
Accounting For Leave Liability	3
Independent Contractor/Employee Status Determination.....	4
Entertainment Taxation Withholdings	5
NON-REPORTABLE CONDITIONS	6
Accounting for Carnival Revenue.....	6
Junior Livestock Auction (JLA).....	6
Standard Agreements	6
DISTRICT AGRICULTURAL ASSOCIATION’S RESPONSE.....	8
CDFA EVALUATION OF RESPONSE.....	11
DISPOSITION OF AUDIT RESULTS.....	12
REPORT DISTRIBUTION	13



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Ms. Norma Fox, President
Board of Directors
20th DAA, Gold Country Fair
1273 High Street
Auburn, California 95603

In planning and performing our audit of the financial statements of the 20th District Agricultural Association (DAA), Gold Country Fair, Auburn, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Gold Country Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 20th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 20th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly



recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 20th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 20th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 20th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 20th DAA and compliance with state laws and regulations, we identified four areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting for fixed assets, accounting for leave liability, independent contractor/employee status determination, and entertainment tax withholdings. We have provided nine recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 20th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR FIXED ASSETS

An audit of the Fair's accounting for fixed assets identified that the Fair did not correctly account for all fixed asset transactions prior to closing its accounting records and preparing the annual statement of operations (STOP). Our office noted that the Fair did not record all project costs for the completed ADA – Paving Project. According to the California Construction Authority (CCA) closeout project reconciliation report, the total project costs were \$24,502.

Furthermore, the Fair incorrectly accounted for three projects on the property ledger, which do not meet the Department of Finance asset capitalization criteria. The UST Investigation Project totaling \$9,769 represents costs that are not associated with any additions, improvements, and betterments to capital assets. The Capital Improvements Projects totaling \$12,105 represent multiple amounts of assets and not one item. Lastly, the Automated Parking Gate totaling \$22,157 represents a movable item, is not considered a fixture, and should be reclassified as equipment. These three items should not be accounted for in Account #192, Buildings & Improvements, and should be removed or reclassified.

As a result of the above, Account #192, Buildings & Improvements, and the related Account #192.1, Accumulated Depreciation, have net understatements of \$19,529 and \$6,980, respectively. Thus, the net resources available for operations were understated by \$12,459 on the year-end financial statements.

Recommendations

- 1. The Fair should make the necessary adjusting journal entry to ensure the amounts recorded in Account #192 are fairly stated in the general ledger. In the future, the Fair should ensure that depreciable costs from all funding are capitalized and reconciled with the capital project closeout report from CCA. The Fair should perform a reconciliation prior to preparing the year-end STOP.*
- 2. The Fair should research closed projects and determine whether or not these projects meet the capitalization criteria. All projects found to meet the capitalization criteria should be capitalized and depreciated accordingly using the guidelines established in the CDFA Fixed Asset Policy and Procedures Manual.*

ACCOUNTING FOR LEAVE LIABILITY

The Fair did not properly track Compensated Time Off (CTO) hours accrued for one rank & file employee. Based on examination of Absence and Additional Time Worked Report, Standard 634 (STD 634) time sheets, we noted an understated variance totaling 31 hours when compared to the leave card.

As a result of above, after the adjustments are made, this employee will have carried over a CTO balance in excess of 240 hours. This employee had 268 hours of CTO at year-end.

According to the employee's bargaining unit (Unit 12 – Craft and Maintenance), "Employees may accumulate up to 240 hours of CTO. All hours in excess of 240 CTO hours shall be compensated in cash."

Furthermore, the Fair incorrectly accrued vacation leave for one rank & file employee. We noted that this employee currently accrues vacation leave at 11 hours per month. According to this employee's bargaining unit (Unit 1 - Professional, Administrative, Financial, and Staff Services), and according to Department of Personnel Administration rules, this employee should be accruing 10 hours of vacation leave per month.

Lastly, the Fair did always not obtain signatures of a supervisor approving leave taken and time worked on the Absence & Additional Time Worked (STD 634). According to the Accounting Procedures Manual (APM) section 4.1, time cards must be reviewed and signed by a supervisor.

Recommendations

- 3. The Fair should ensure proper recording and tracking of employee overtime hours worked and accrued on the STD 634. The Fair should update leave cards monthly to reflect current leave balances.*
- 4. The Fair should encourage employees with excess balances to take time off and compensate employees in cash for excess CTO hours, thereby reducing their accumulated leave balances.*
- 5. The Fair should research any errors in calculating leave balances and adjust the leave cards to reflect proper accrual of leave based on employee's respective classification.*
- 6. The Fair should comply with APM section 4.1 and ensure a supervisor reviews and signs times cards in a timely manner.*

INDEPENDENT CONTRACTOR/EMPLOYEE STATUS DETERMINATION

The Fair classified three individuals as independent contractors rather than employees. According to the standard agreement form 210 (STD 210), we noted that these individuals acted as an Admission Revenue Supervisor, Horse Show Manager, and Managers Assistant. These individuals performed duties such as hiring of staff and supervising of cashiers. Based on their job duty descriptions, compared to Internal Revenue Service (IRS) three common law rules to determine employment relationship, these workers may be employees of the Fair rather than independent contractors. The Fair should be cautioned that misclassifying individuals could result in fines and penalties pursuant Federal Labor Standards Act (FLSA) or applicable state laws. Therefore, the Fair should receive clarification from the IRS by submitting form SS8, Determination of Worker Status, as to the proper classification of these individuals who render services to the Fair.

Secondly, the Fair was unaware that it is required to submit the Employment Development Department (EDD) form DE 542, Report of Independent Contractors, for independent contractors. The Fair is required to report to EDD within 20 days of paying or contracting for \$600 or more with an independent contractor in any calendar year by submitting Form DE 542. According to EDD, any business or government entity that is required to file a

federal IRS Form 1099-MISC for services received from an independent contractor is required to report specific independent contractor information to EDD. This information is used by EDD to locate parents who are delinquent in their child support obligations.

Recommendations

7. *The Fair should ensure it properly classifies all individuals that work at the Fair. If the Fair has questions regarding classification, the Fair should contact the IRS.*
8. *The Fair should comply with existing State requirements that require entities to report specified information to EDD on independent contractors within 20 days of either making payments totaling \$600 or more or entering into a contract in any calendar year, whichever is earlier, to avoid penalty for failure to comply within the required timeframe.*

ENTERTAINMENT TAXATION WITHHOLDINGS

The Fair did not withhold the standard 7% on California source payments to non-residents that exceed \$1,500 in a calendar year beginning January 1, 2008. Non-residents may request a reduction or wavier of withholding from the Franchise Tax Board (FTB), but unless the Fair is notified by FTB the standard deduction of 7% applies.

Recommendation

9. *The Fair should ensure that the standard 7% withholding from all California source payments to non-residents in excess of \$1,500 in a calendar year is collected unless otherwise notified by the FTB.*

NON-REPORTABLE CONDITIONS

ACCOUNTING FOR CARNIVAL REVENUE

Based on examination of carnival revenue, it appears that the Fair received \$1,174 in excess of what was entitled to the Fair from the carnival contractor. An examination of carnival presale tickets sold and payments made by the carnival contractor revealed that the Fair did not report the correct presale ticket sales figure on the carnival recap sheet. As a result, the carnival recap sheet was calculated using understated presale ticket sales and the carnival contractor made a final payment that was not necessary. The Fair should research this variance and, if necessary, establish an accounts payable for the amount due the carnival contractor.

Recommendation

The Fair should follow up with an ancillary review of the carnival recap sheet and, if necessary, repay any outstanding amounts. In the future, a reconciliation should be performed by the Fair and carnival contractor prior to receiving or making any payments.

JUNIOR LIVESTOCK AUCTION (JLA)

The Fair has not adequately reconciled Account #251, JLA Reserve, to the corresponding bank Account #117, Cash-JLA, for the past several years. According to the Accounting Procedures Manual (APM), Section 2, 5.1, the balance in the auction account, adjusted for accounts receivable and accounts payable, must equal Account #251, JLA Reserve, at year-end. This is a prior audit finding.

Recommendation

The Fair should comply with APM, Section 2, 5.1 and annually reconcile Account #251, JLA Reserve, to the JLA Cash Account.

STANDARD AGREEMENTS

An examination of standard agreements revealed the following exceptions:

- a. The Fair did not always prepare a Standard Agreement Form 213 (STD 213) for contracts that exceeded \$10,000. This form is used in lieu of form STD 210 that has a limit of \$9,999. Secondly, the Fair did not prepare a Standard Agreement Summary Form 215 (STD 215) for each STD 213 as required by the Division of Fairs & Expositions Contracts Manual.
- b. The Fair did not always submit to California Fair Service Authority (CFSA) proof of liability insurance for review and approval. Fairs are required to submit insurance to

CFSA for reviews, prior to services being performed, to verify that insurance has adequate converge.

- c. The Fair did not prepare a written justification explaining why multi-year contracts were in the best interest of the Fair. The Fair had two multi-year contracts on file. According to the contract manual, if a contract is for more than one year or contains options to renew which, if exercised, would make the contract multi-year, a written justification explaining why multi-year contracts are in the best interest of the DAA must be included in the contract file and in the contract package when F&E approval is required.

Recommendations

For contracts that exceed \$10,000, the Fair should prepare a form STD 213. The Fair also should ensure that a STD 215 Agreement Summary is prepared for each STD 213 Agreement.

The Fair should ensure CFSA reviews and approves all insurance providers prior to the execution of a service contract, to ensure insurance is adequate.

The Fair should ensure that a written justification explaining why multi-year contracts are in the best interest of the Fair is prepared for all multi-year contracts.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



September 22, 2009

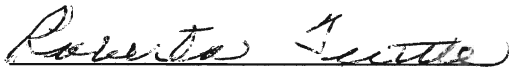
CDFA Audit Office
1220 N Street, Room 344
Sacramento, CA 95814

RE: *Gold Country Fair – 2008 Audit*

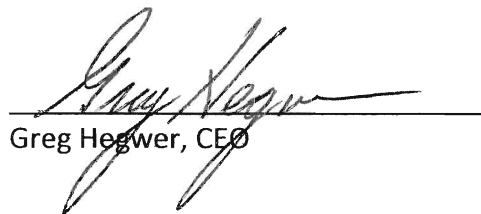
Enclosed you will find the responses to the 2008 Audit. We have addressed the concerns brought forth by the Auditor during his time in our office.

We would also like to inform the Audit Office of our sincere appreciation of the individual sent to perform the Audit. He was extremely helpful and provided excellent clarification to the Fair staff and directors. It was a very worthwhile experience for our Fair.

Kindest regards,

A handwritten signature in cursive script, reading "Roberta Tuttle".

Roberta Tuttle, Board President

A handwritten signature in cursive script, reading "Greg Hegwer".

Greg Hegwer, CEO



REPORTABLE CONDITIONS

ACCOUNTING FOR FIXED ASSETS

The fair made the appropriate, recommended adjusting journal entries to reconcile and update the General Ledger, Fixed Asset Listing and the corresponding depreciation accounts.

ACCOUNTING FOR LEAVE LIABILITY

Business Assistant will ensure:

- Leave balance calculation errors for 2008 are corrected to reflect proper accrual of leave balances.
- Overtime hours worked and accrued will be recorded and tracked on Standard 634s and leave cards will be updated each month to reflect current leave balances.
- Time Cards and Standard 634s will be reviewed and signed by the CEO on a monthly basis.
- Each employee will receive a copy of his/her leave balances on a monthly basis. Additionally, a copy will be provided to the CEO for review.

INDEPENDENT CONTRACTOR/EMPLOYEE STATUS DETERMINATION

The Fair will contact the IRS to determine if certain individuals qualify as Employees or as Contractors. Furthermore, the Fair is now filing the DE 542 online through EDD's website.

ENTERTAINMENT TAXATION WITHHOLDING

The fair is now withholding 7% from any out of state contractors.

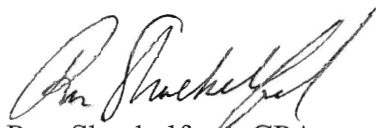
CDDA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 20th DAA, Gold Country Fair, for its review and response. We have reviewed the response and it adequately addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between June 15, 2009 and June 26, 2009. My staff met with management on June 26, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

June 26, 2009

REPORT DISTRIBUTION

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1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office